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FINANCE AND INSURANCE SECTOR INDUSTRY

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PREFACE

Within the economic system, one of the most important subsystems is the financial system. The financial system is part of the economic system, and it is composed of several elements that enable a smooth flow of financial resources in a socio-economic community. The financial system is a mechanism and a guide, that is, a channel system that transfers financial funds between different groups and entities in the economy. It performs a huge number of functions in the economy: savings function, welfare function, liquidity function, credit function, payment function, risk protection function, macroeconomic function, transfer function of resources through space and time, providing information, money creation function. The most important features of the financial system are dynamics, openness and complexity.

The financial system and the financial market encompass a large number of participants. In theory and practice, there are great difficulties with their classification and classification. The financial system is quite complex and consists of different types of private financial institutions such as banks, insurance companies, investment funds, financial companies of investment banks and all regulated and supervised by the government. If you want to lend to a company, you will not go directly to the presidents of companies, but you will do so through financial intermediaries, institutions such as commercial banks, savings and loan co-operatives, savings banks, investment funds. All these institutions lend money to those who have saved it by placing it for those who need it business ventures.

Bank is a specialized economic organization, a financial intermediary, which collects free night funds on various bases and places these funds in various forms, primarily through the granting of loans and the purchase of securities, that is, providing other types of services to their clients, or performing financial and other transactions in order to generate income or profits on that basis.

The insurance industry has a very important role in the financial systems of countries around the world. The global insurance market is growing year by year, largely thanks to the opening of the insurance market for developing countries. Until recently, the insurance markets of developing countries were closed to foreign companies, and hence, due to the lack of competition and adequate knowledge in the management of insurance companies, they were inadequately developed. Today, the insurance industry, in addition to its great importance in developed parts of the world, is gaining increasing importance in the markets of developing countries. In developed countries of the world there is virtually no individual who does not have one or more insurance policies: life insurance, health, disability, auto-liability, casco, fire, etc. The insurance industry is also one of the largest employers in the world. The deregulation process that has affected financial markets around the world has caused enormous competition between

deposit and non-deposit financial institutions, so that commercial banks and brokerage firms began to enter into market segments that were traditionally reserved for insurance companies until recently.

Insurance companies are dealing with risk taking on behalf of their clients in exchange for a premium in the form of a premium. Insurance companies earn profits by collecting insurance premiums that are designed to be sufficient to pay the expected claims for damages and to achieve a certain profit.

Due to the fact that insurance forms the enormous capital that forms part of national savings for unforeseen cases, the importance of insurance for the economy of each country is enormous. The creation of such a fund, regardless of how it is organized, is the economic necessity of each country.

Authors

PART I. INSURANCE

IMPORTANCE OF ALLOCATION THE CAPITAL AT THE MAXIMUM VALUE OF INSURANCE COMPANIES

FINANCING IN TOURISM - BASIC SOURCES OF FINANCING THE ACCOMMODATION OFFER

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ABSTRACT

Based on the previous theoretical research and empirical experiences and knowledge related to the development aspects of the tourism economy, it can be concluded that the basic sources of financing all major projects in the tourism economy are share and loan capital.

Today, more as a financing technique rather than as a source of funds, especially from the aspect of how to make returns on invested capital, for investments in certain tourist destinations, it is interesting project financing.

Due to the volume of investments and the duration of construction, financing of accommodation facilities and higher investments in the tourism economy, it is particularly interesting that long-term financing, that is, long-term sources of financing. In today's business conditions, in the domestic and international practice of financing large investments in the tourism economy, the model of financing from the accumulation of owns capital is very complicated or not profitable.

Right on, according to the above, the aim of the research is to clarify the significance of these sources and forms of financing when it comes to financing accommodation facilities of the tourist offer.

***Key words**: tourism, financing, accommodation facilities*

***JEL Clasification:** G10, G20, G30, G4.*

INTRODUCTION

In the contemporary international business, tourism is considered as a service sector with the greatest potential of growth which is expected in the near future. Tourism participates with 10% in the world's GNP, through the tourism over 6% of the total world export is realized and 30% world trade of the services (Premovic et all, 2013).

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The level of development of the tourist offer is measured by the quantity and quality of the basic tourist offer capacity - accommodation, food, transport, then the number of business units (enterprises), the number of employees in the tourism industry and other indicators.

Based on literature research, the accommodation offer in tourism can be defined as, a proposal that encompasses services that meet the needs of people (travelers) for accommodation, food, drinks, etc., and which are provided in specially constructed facilities.

In the world and domestic practice, the basic accommodation capacities include: hotels, pensions, hostels, motels, tourist resorts, lodging, inns and others, and in complementary: spa health resorts, climate hospitals, hikers' homes and houses, workplaces, children's and youth resorts, camps, sleeping cars, boats, private accommodation, etc. (Cacic, 1995, 54).

In short, the accommodation facilities have properly constructed and equipped construction facilities for the provision of accommodation services in tourism (hotel industry and total catering). These facilities can also be defined as spatial, organizational-technical and technologically prepared facilities, capable of accommodating and accommodating people and providing hotel (boarding and extra-boarding) services in them (Hunziker, 1961).

Therefore, in order to realize the tourism economy through the mechanisms of tourism supply and demand, the export of material and non-material values at home, without formal packaging procedures, customs procedures, freight forwarding and other foreign trade procedures, necessary the quality suprastructure and quality infractructure, especially quality accommodation facilities (Vujovic et all, 2016, 323).

In practice, there are various forms of financing investments in the tourism economy, but all these investments can be considered as investments. The investor, whether a legal entity or a physical person, may provide funds for the relocation of a defined project or activity in the following ways:

- self-financing,
- crediting,
- joint venture,
- the issuance of securities i
- leasing (Vujović, Vukosavljević and Bjeljac, 2014).

Different entities appear as investors in accommodation facilities in tourism in countries with a developed financial market. We can subdivide all these entities as potential investors to the tourist facilities of the tourist offer on:

- individuals,
- business entities,
- state institutions and organizations,
- insurance and banking financial organizations; and
- NGO.

Potential investors in order to secure the funds necessary for investing in accommodation facilities in the tourist offer, use different forms of capital insurance on financial markets. All ways of accessing equity in the financial market accessible to entrepreneurs as future investors in accommodations can be divided into two basic categories:

- *loan capital and*
- *action-equity capital.*

Borrowing capital implies a debt trust relationship between the beneficiaries of capital on the one hand and the owner of the capital on the other hand arranged as a credit relationship. A credit relationship may also be direct if it is realized directly between the owner and the beneficiary and indirect if it is realized through a banking and financial intermediary.

Loan capital often appears in the form of:

- investment loans (they do not use mortgages, but other types of guarantees for risk coverage),
- mortgage loans (these loans for covering credit risk take a mortgage) i
- long-term loans (secured by the emission of long-term securities).

Equity or equity capital operates through the form of an entity designated as a joint-stock company.

From a broader perspective, the accommodation offer in tourism, as well as other infra- and suprastructural systems, can be financed on or off the balancing sheet. Generally, financing is recorded in the balance sheets of the investing company; however, off-balance-sheet financing (OBS) or incognito leverage is more frequent nowadays and it is a way for a company to impact its level of debt and liability by not including a liability on its balance sheet. (Finansiranje, https://finansijskoposlovanje.wordpress.com 05.02.2018).

The importance of accommodation facilities is confirmed by the fact that the accommodation offer directly influences the formation of the prices of tourist services and the development of tourism can be confirmed on numerous examples. "Certain sensations (for example, the Occurrence of the Lady in Western Herzegovina) can be decisive for the formation of the price of tourist services in the short or very short term (psychological effects on the demand side), while in the long run the price setting is always on the side of the offer or manufacturer (critical costs). The crucial economy is creating a new value. Thus, e.g. in western Herzegovina, a complete infra and suprastructure should be built in the long run "(Vujovic et all, 2011, p. 573).

THEORY METHODOLOGY APPROACH TO FINANCING THE ACCOMMODATION OFFER

Methodological research is based on the theoretical analysis of the selected literature dealing with project financing in general conditions, and in particular the financing of projects in the tourism economy. Special attention is paid to financing accommodation facilities of tourist offer in the sense that they explore and define the basic forms of financing sources of these facilities.

Based on the literature analyzed, as a common one, it can be concluded that the basic sources of funds for financing accommodation facilities of the tourist offer are: own funds in the form of shares (share capital) and other assets in the form of loans.

The modern concept of economic viability means that the company, in addition to the realization of defined their own goals, needs to maintain or increase the level of wealth per capita (Premović et al, 2011).

'Project finance' is an umbrella term for all aspects of financing of the project with direct debt payoff—the debt is payed off from the project profits instead of the overal debtor company profits—or indirect debt pay off with money coming from the debtor company funds. Therefore, the creditor has clear insights into the money flow, while their only way of return on their investment is the success of the project (hotel, building, lot, etc.), which in itself is the guarantee for the loan (Vujović, 2008; Arsić, 2004).

In addition to intrinsic guarantees stemming from the project, the investor might ask for additional asssurances in case of declining profitability. Such gurantees (direct or indirect) might come form the third party that has invested interest in the success of the project, for example, an industrial or governmental institution that obligated itself to use the offered services (e.g. stay at the hotel) for a number of years. The practice of financing big hotel projects indicates that managers work with large sums of loan capital, but also implement projects financed from shareholder or their own resources. (Ristić, 2011).

Project financing implies return of the invested funds from the project profits. Therefore, the investor or creditor of a particular infra- or suprastructural system relies on debt pay off from future profits of the project, while the assets guarantee it (Vujović, 2008, 237).

Apart from the numerous criteria for the division of projects, more relevant authors point out the following: type of business activity, character of the performer, nature of goals and types of financing (Vukadinović i Jović, 2012, 75).

On the basis of all the analyzed classification and division, as a basic one, one can distinguish the division of projects into: investment and business projects.

According to its characteristics, the suprastructure of the tourist offer of tourism enters into investment projects, since they require large investments in the long term and a large number of participants (construction of capital infrastructure projects, construction of new hotels, factories, introduction of new technologies,

etc.), while business projects require smaller means of financing, shorter duration, require simpler technologies, require a smaller number of participants, etc. (Đedović, 2010).

Investement in tourism industry very often relies on structural financing techniques with large projects to minimize transfer risk and secure money flow. With this approach, the money flow is monitored with emphasis on operation, while the insurance of assets emphasises the financial aspect such as loans and payments. The main reason for such procedures lies in the fact that investor companies need new sources of capital (Miladinovski, 2012). This practice was common for international investor companies in ex-communist countries in the process of privatization of state companies. Also, the aforementioned techniques is usually related to big and complicated projects (Matić, 2017). However, it is applicable to all projects no matter the size, whether it is the construction of a hotel, a ship, a factory or a solar power plant (Ognjanović, Pešterac, 2016).

In 2002, Enron, a U.S. energy-trading and utilities company, confirmed that there are major oversights and drawbacks of the structural financing techniques. Namely, Enron utilized project financing in economically unsubstantiated way, especially unfair to its shareholders and creditors. Its manipulation of the shareholders and creditors, as well as the perversion of information, cast a shadow of doubt on this kind of financing. Further investigation of Enron activities confirmed the boomerang effect of such malpractice which lead the company to bankruptcy (William, 2002).

Main players in project financing are sponsors and financiers (Drljača, 2014).

Project sponsor finances the project and is concerned with its successful implementation. It can be a goverment of the host country, a private company or a business consortium as a future consumer of the goods and services.

Project financiers can come from various backgrounds—companies, investment funds, international development and investment banks, insurance companies, equipment manufacturers, pension funds, future consumers, etc.

Other important players are project company and contractor consortium.

A project can have multiple sponsors. The motivation for participating in a project companies find in the prospects for product manufacture and placement long after the project period with the aim of filling their production capacities. For example, a furniture manufacturer might invest in a construction of a hotel. Secondly, the motivation might stem from profit opportunities. We have seen that the aim of the project if to be profitable from its own resources, without any influence on the passive funds and the credit rating. One way to achieve this is to have a third party guarantee. Projects which are not insured by a third party, which will directly benefit from it, are rare (Leković, Pantić, 2014).

There are many reasons for disagreements between debtors and creditors. Debtors often wish to have their projects financed off the balance sheets, with only partial revela of sources of investment. On the other hand, the creditors are not in the venture capital buisness, (*Venture capital is financing that investors provide to startup companies and small businesses that are believed to have long-term*

growth potential and considerable return rate with higher risk.) meaning they wish to have their pay off guaranteed by the project itself, the sponsors or third party. Herewith lies the challenge of project finance (Bruner and Langohr, 1992).

Successful project financing means structuring it in a way that provides partial or complete pay off from the project profits while ensuring enough capital through sponsorship or third party guarantees. These assurances keep the creditors satisfied with the risk assessment (Suzie and Kathy, 1999).

Account should be taken of the differences between the models themselves or the way in which projects are financed and the way in which funds are available to finance them, regardless of the fact that the theory of equality prevails in theory and practice. So, here comes the ownership of capital or assets, and then decides how, with whom and where to invest. Own-acquired in different ways, or other means, again, and can be reached in different ways, they can be invested in different ways in different projects. Hotel corporations and the public sector appear as the largest investors in the tourism facilities.

For example, in Croatia in 2018, according to information from the Ministry of Tourism, total investments, the public and private sector in tourism, they should reach about one billion euros, with the most investing in hotel companies, more than 630 million euros, while the rest will invest public sector, or counties, cities and municipalities (https://tockanai.hr/biznis/turizam/investicije-u-tirizmu-2018-10415/, 16.06.2018).

RESULTS AND ANALYSIS OF THE RESEARCH

FINANCING THROUGH EQUITY CAPITAL AND CREDIT LOANS

Based on theoretical and empirical research of development in tourism industry, it can be concluded that two main resources for financing big projects areshareholder capital and credit loans. However, the practice has shown that the combination of the two models gives best results. The analysis of the financing models, their benefits and drawbacks, resulted in their classification according to their origin:

- external and
- internal (Ristić, 2011, 341).
- Another basis for classification proves to be significant, the ownership aspect:
- personal (company's own capital),
- other (loan), and
- hybrid (combined) (Ristić, 2011, 341).

Very often, the sheer volume of the investment, as well as the duration of the construction of accommodation or any other investment in the tourism industry, requires a long-term investment plan, that is, a sustainable source of capital. The model of self-financing big projects in the tourism industry today proved to be both complicated and unprofitable. It is imperative to distinguish between short-term and long-term investments because of the capital expenditures, duration of the project, and volume of the required capital (Ristić, 1994).

The business practice has shown that long-term financing often comes from personal (company's own) funds and long-term loans; on the other hand, short-term financing comes from bank loans, Lombard loans, short-term securities, trader loans, and factoring. The tourism industry also finds leasing (of goods, equipment, and capital) as an acceptable source of financing. Furthermore, there have been examples of other sources such as forfaiting, permanent financing, reimbursement credit, vinculating insurance, mortgage, etc. (Ristić, 1990).

When financing accommodation in tourism industry from one's own capital, a company might use: operational funds, shareholder capital, permanent financing, reserves, and long-term reservation of funds. On the other hand, financing from other sources might come from loans, term investments, bonds, etc. (Vujović, 2000).

When choosing an appropriate financing plan in tourism industry, a company must consider the ratio of personal and borrowed capital, type and volume of the projected activities, characteristics of the investment, the risk assessment, and its creditworthiness (Stančić, 2018). Nowadays, the most common way to finance the accommodation in the tourism industry is the combination of loans and shareholder capital with additional subventions and grants to reduce the amount of the borrowed money (Vujović, 2008).

Financing from loans by its nature is characterized by the interest rate which is either fixed from the beginning of the loan or it varies in accordance with the financial market. Loans are tightly controlled in terms of the payment plan and the collateral used as a borrower's pledge of specific property to secure the repayment. It is increasingly common to use the facility under construction as collateral. The overall value of the facility might not cover the loan in full but the creditor has a right of the first offer in the process of selling the asset. However, the creditor might ask from the project manager to guarantee the deadline of the completion of the construction and provide the letter of credit in case of exceeding the budget. This is also known as unsecured loans, without pledging the collateral" (Vujovic, 2008, p.220).

Financing through the issuance of securities (shares) or equity capital represents the financing process in which the financiers practically become co-owners of the pre-emptive value of the purchased shares of the company, that is, the process in which the shareholders of the shares remain without ownership and have the right to withdraw their future profits.

Consequently, shareholders count on the company performing well in the market (since there is no repayment as with loans). The shareholders participate in

the redistribution of the profits in accordance with their stake in the company. “Equity capital can come from the direct money flow, or through bond traders. Many countries support financing from equity capital in hotel and tourism projects through subventions, monetary policy, tax benefits, preferential interest rates, etc.”

Banks and other investment companies have vested interest in the success of the project paying special attention to the analysis of the prerequisites crucial to the implementation of the project. Feasibility studies and money flow projections are especially important in the evolution of a project proposal. Creditors insist on a “powerful” project manager, an experienced co-contractor as an assurance in high-risk projects. Therefore, it is important to have a business plan verified by an independent expert team. In addition, the investors value forecasting of financial, developmental, marketing, and human resource strategy of the company accompanied by a competent and effective management of the project.

Moreover, influential management companies can aid the process by asking for fixed rates in the early stages of the project, thus cutting the costs and the risk for both creditors and investors. To that end, creditors approve of projects capable of repayment from its future profits with special care paid to the interest coverage ratio.

All in all, before deciding on financing a certain project, a bank will primarily insist on insurance and security of its assets. Very often, a bank will hire independent experts to evaluate the hotel based on its profitability and project value, which is an important step in risk assessment (Vujović, 2008, p. 221).

In analyzing and pointing out the advantages and disadvantages of share and loan capital as the main sources of financing of accommodation facilities in tourism, it is necessary to briefly explain the specifics of initial, basic and durable capital in order to understand the increase in share capital.

The founding or initial capital of a company, as the name itself indicates, is the capital by which the founders establish a joint-stock company and start work.

Basic or equity capital, according to Vučurević (2012, 79), is the founding capital increased for recapitalization, either internal or external, while durable or equity is a complex category that includes basic or equity capital, assets, reserves (statutory, statutory and free) revaluation reserves and undistributed profits transferred from previous years and undistributed profits of the current business year.

Changes in the equity capital of joint-stock companies arise in the following cases (Vučurević, 2012, 79):

"The first, which relates to the increase in capital, is every case when old and new owners pay their capital to a given joint stock company by purchasing new shares. It is said that such capital always enters the outside. Even in the case where the existing undistributed profits are reinvested, it is not shared but already remains in the joint stock company.

The second case concerns the reduction of capital due to the withdrawal of shares, when the owners decide to reduce the capital of a particular joint-stock company and then we have a capital outflow.

The third case relates to loss-making operations, whereby the value of capital decreases (reduces), since the loss itself is nothing but a reduction in capital.

The share capital of public joint stock companies may be increased by a new issue of shares, which may be external or internal.

The external issue of shares implies that capital is obtained from the outside, from existing or new shareholders.

Internal recapitalization implies that from the unallocated profit, reserves and revaluation reserves (if the fixed asset is depreciated or depreciated), the share capital increases, whereby the fixed capital remains the same. There are two options for increasing basic or equity capital by issuing new shares at nominal or accounting prices and increasing nominal or accounting prices, where the number of shares does not change".

DIFFERENCES BETWEEN FINANCING FROM EQUITY CAPITAL AND LOANS

When financing the accommodation offer, it is important to compare and contrast equity capital and loans as two primary sources of financing. Various authors have analyzed them and stated major differences as follows (Vučurević, 2013):

- equity capital (share capital) entitles the holder to ownership interest and as such, the holder has a right to a vote. Loan capital, on the other hand, means crediting partnership; therefore, the investor (creditor) only has a right to payment;
- financing from loans is limited in time by the payment due date, upon which the principal amount is repaid and the loan is liquidated. Contrary to that, equity capital is timeless, or as durable as the shareholder is in possession of the stocks, until the holder decides to sell them in the secondary market or the company is liquidated;
- unlike, creditor status within the company, the shareholder has a right to a vote (controlling interest) because they are partial owners of the company with allocated risk;
- in case of bankruptcy, the creditors have a right of the first offer, meaning they are repaid first. The shareholders get repaid if there are any funds left;
- another difference is reflected in the repayment obligation. Companies are obligated to repay principal and interest to their investors and creditors as stipulated in the financing agreement, regardless of the company profits. On the other hand, paying dividends to the shareholders depends on the profits of the company;
- there is also a considerable difference in the risk profit ratio. Shares of the company carry greater risk, hence they bring greater profits. Dividend income and capital gains from shares depend on their price on the secondary market;

- finally, the tax obligations are different. Tax on issued shares is considered as expenditure for the company. The amount is deducted from the net profits. On the other hands, payments to investors and creditors are done from the net profit which is already taxed. Therefore, financing from loans is cheaper than from equity capital.

However, crediting can be indirectly also considered as part of the share financing of the project / facility, assuming that shareholders each in a different way provide funds needed to finance a particular facility / project.

For example, one of the shareholders in the financing of the hotel invests its own funds accumulated in the previous period by performing its own activities, another shareholder may invest funds generated by selling certain assets, while for example, the third invests funds provided from the loan.

It should be emphasized here that if one of the shareholders invests funds in a joint loan project, he is responsible to the creditor, he solves the debt-lending relationship, while the other shareholders and the facility that is jointly financed by creditors have no relationship.

Therefore, in the case of joint stock financing of a specific project, in practice, a special legal entity XY is usually formed, where all shareholders in advance define their rights and obligations regarding financing in terms of ownership and ownership of the future realized project or built object.

The provision of funds from the loan, in the financing of accommodation facilities in the tourist offer, in addition to interest as the price paid by the borrower, are inevitable guarantees or capital which one guaranteeing that the loan will be repaid. The mortgage or guarantee is in some way "trapped" while the borrowed funds are returned to the creditor.

When it comes to similarities and differences in financing with action and loan capital, it is interesting to mention the collection of capital by issuing securities. Depending on which securities it is working, the ownership and debt trust relationship is again expressed here.

If one of the participants in the financing of an object (hotel or a winter ski center) A, broadcasts shares in its own corporation Z to secure the funds necessary for investing in project A, it sells part of its own capital, where the equity aspect is in question. If the funds are collected by issuing bonds, then there is a debt trust relationship, in fact lending.

As a very current form of financing investment and business activities in international and domestic currency, similar to lending, in the last decades, leasing has been present.

As a form of financing, it is quite similar to crediting, leasing, it can be said, is a modern way and a specific form of financing the investments by which certain fixed assets (devices, machines, equipment, etc.) are leased out. Leasing has a positive impact on economic growth. In the conditions of turbulent environment and strong competition on the market, enterprises, tourism organizations and individuals, for the development of their activities, constantly need financial resources (Vujovic, et all, 2014, 116).

Leasing and loans as debt instruments of enterprises and individuals, with internally generated funds in the form of unallocated profit or savings and with the issuance of equity and debt securities, represent the most important external sources of financing investment projects in the broader sense of the word, and in particular it is and should be a source of financing the tourism industry.

As an alternative model of investment financing in practice, it emerged at the end of the 19th century. Leasing (English leasing) means leasing, renting. The said word simultaneously means a contract by which one party undertakes to transfer to another contracting party the subject of the lease for a certain period of time or for a specific use (business), and the other party is obliged to pay the determined fee (Stakic i Stamatovic 2003).

Based on the analysis of the research under the heading "Financing of tourist activity" (Vujović and others 2014) conducted in Western Serbia in 2014, the advantages for companies and entrepreneurs who want to establish and expand business activity, procurement of equipment through leasing is a better solution than using a loan of at least three reasons:

- purchased equipment can be used as long as the profitability of its work results is at a satisfactory level,
- after expiration of the leasing contract, the equipment can be replaced with even more modern and
- in case of leasing, upon expiry of the contract, the lessee decides whether to keep the equipment in his possession or not.

In this research, the authors see the advantage of leasing as a form of financing investments in relation to crediting in the ability of investors to use modern and expensive equipment, and if they do not have enough own funds.

Thus, by comparing the collection of funds by issuing shares and obtaining funds by taking a loan, in order to determine what is more favorable for the investor, it comes to the conclusion that besides the concrete conditions of these two models of obtaining funds, there are a number of economic and political factors, such as the development of the financial market, inflationary movements, political stability, etc., affecting the terms of financing.

The financing of accommodation facilities in tourism is exposed to the influence of various factors from the environment, the so-called external factors, with the particular importance of the factors and elements of the financial system. Legislative and legal regulation of the financial system clearly defines the rules and conditions of project financing.

Different factors and elements from the external environment in different ways affect the financing of projects, with the effects of the factors and elements of the financial system directly affecting the financing of projects in terms of previously defined conditions.

Briefly, all factors of the financial system can be divided, or grouped into three groups: factors related to financial institutions, factors related to financial markets and factors of financial instruments.

Laureate of the Nobel Prize in 1991, Ronald Coase, external factors that can have a decisive influence on the behavior of business subjects seen as transaction costs. Exploring the significance of transaction costs in the economic system, this Nobel prize man puts a sign of equality between the market and the company.

"In addition to production, there are transaction costs. Transaction costs (some of which depend on the character of technology) are economic forces that determine how resources will be linked, or whether contracts will be concluded on the market or the enterprise will be established as a contractual arrangement, and whether the companies will interconnect with special contracts vertically integrated in the market or outside the market. A company is an efficient organization only if the transaction costs within the enterprise are lower than the transaction costs (cost of using the price mechanism such as the costs of disclosing the relevant prices, the costs of negotiating and concluding a contract) that would arise on the market" (R.H Coase, 1960, p.42).

BENEFITS OF THE ACTION CAPITAL WITH REGARD TO CREDIT

When it comes to share capital as a source of funds for financing tourism accommodation facilities, the capital user appears in the role of the recipient and the owner, while the equity provider proportional to the value paid out for the purchased shares appears as the future manager and beneficiary of the realized profit.

Share capital, in principle, regardless of whether it is a state or private property, in the financing of tourism tourism suprastructure projects, analyzing all the advantages and disadvantages in comparison with other investment models, has multiple advantages.

As stated by some authors (Rous, 2003), the reasons and motives that give priority to share capital in relation to the loan code for financing investment projects of tourism suprastructure, among others are:

- maintaining the optimum balance between founding and basic-equity capital on one hand, and maintaining optimal structure between individual segments of own capital and its relationship to loan capital on the other,
- the degree of risk of investing in secured capital. This reason has its expression in the fact that the arguments for the provision of capital in the form of share capital are stronger in all those cases where the risk of investing mobilized capital in one business venture is higher;
- the degree of indebtedness of the subject. If the economic entity is heavily indebted or approaches the allowed limit of indebtedness by borrowing, and has a lack of capital for further development, then the only issue of shares is the manner of insuring capital,

- tax policy also has a major impact on investors, when deciding on the provision of capital for investing in a material basis. If tax benefits are preferred, for example, bonds, it is realistic to assume that the decision to provide additional capital will certainly be directed to the loan capital. In the case where tax relief relates to shares, this will be the case with share capital and
- the current conditions in the capital market are one of the most important reasons directly affecting the decision of the entity to use the share or loan capital.

Of course, there are other factors that influence the decision on which form of financing to apply, but here we list only some of the more important ones. In all market economies, the interest of investors must be primarily secured, and the investor himself, when investing his capital, must have the feeling of total security and confidence in the mechanisms of the capital market and the state as the regulator and controller of that mechanism. Investors on the material basis and their interest should be protected against the risks that come from the users of the capital, by the intermediaries in the capital market and by the risk of capital repayment and collection of interest income (Vujovic, 2008).

FINANCING FROM COLLABORATIVE PROJECTS

In construction of certain major infra- and suprastructural facilities, there may be more than one interested parties. The collaborators then establish a new company where a power struggle is not uncommon (Kapor, 2006, 18).

However, there are benefits to a collaborative project and working with partners with same goals and multiplied resources.

This is the case when:

- a project is outside the scope and financial abilities of a single company—then, the partnership can be complementary;
- having a big collaborative project is more profitable than a small project managed by a single company;
- the risk allocations are better shared among the partners; and
- one or more partners have tax benefits.

Financing from collaborative projects carries its own set of risks. Therefore, the success of the project, especially with multiple partners, depends on competent risk management. Since different stages of the project implementation are characterized by different risks, the funding and the creditors need to be actively secured. The initial phase is often a prolonged planning and projecting, when the neccessary equipment is purchased and various aspects of construction are negotiated, followed by the construction phase. The risk increases with rising spending on materials, equipment, and work force.

The end of the construction phase is by no means the end of the project. Sustainability and profitability of the facilities are still questionable and that is the

real test of the fisibility study and project planning. The project implementation is finished only when the facilities have proven to be sustainable and profitable for a prolonged period of time.

Most projects are financed by a single or a group of investors. However, big projects often require various investors for various project stages. This stems from different risks arising from different phases of the project, as well as different characteristics and capabilities of the investors to accept the risks. For example, certain creditors only loan money short-term, or are specialized for a specific stage of the construction process. Some might ask for third party assurances, while others might offer lower interest rates, etc.

The benefits of financing from collaborative projects lies in its process of accumulating material value from its status of the debtor itself, therefore allowing for favourable ratio between the project assest as a collateral and the loan sum.

Most common benefits of collaborative project financing for the developers and investors are (Vujović, Kvrgić, 2009, 90):

- insurance of funds – favorable loans;
- insurance of minimal engagement of company's own funds;
- maximizing the loan with fixed interest rates;
- aligning the repayment with the money flow;
- aligning the repayment in foreign currency with the profits in theatcurrency;
- minimazing investment costs;
- achieving the planned profit rate;
- engaging more public and private investors;
- achieving the neccessary level of flexibility in financing.

There two key benefits for all parties in collaborative project financing:

- increasing availability of various sources of financing which in turn increases the chances of successful implementation of a project that would otherwise be unprofitable based only on equity capital or direct borrwing.
- decreasing the rick because it is allocated to a larger number of participants.
- In case of risk transfer by various financial instruments, it is common to issue securities or financial derivatives: options, futures, swaps, and forwards.

PRESENTING THE PROJECT FOR FINANCING

When preparing the project proposal for presenting to future investors (whether they are creditors or shareholders) several important aspects must be considered (even though the investment companies will perform analysis of their own):

- it is often insisted on project manager to secure a part of the capital even before the project proposal is submitted for consideration;
- financial and business plan must be verified by an independent expert panel through a feasibility study;
- creditors often hire independent agencies to evaluate the technical aspects of the proposed construction plan, especially against the proposed budget, and often require the project manager to provide a letter of credit in case of exceeding the agreed framework in terms of time and money;
- creditors insist on efficient and competent management of the hotel, even if this means hiring an outside management company;
- location of the hotel is also evaluated to determine its suitability to the target clients;
- hotel management contract must make sure that the income of the management structures is directly related to or dependent on the hotel profits.

Investing companies, by default, require a submission of independent study on financial, market, and marketing potentials of the project proposal. Since their main goal is profit, proposal evaluation done by a renowned consulting agency is of utmost importance. A feasibility study is a detailed risk assessment of the potential of the company to service a long-term debt and repay the invested capital. This study is comprised of:

- a description of the state, region, and location of the proposed facility, including economic and demographic data;
- a study of current and projected tourist trends in the region;
- an analysis of the business operations of the competitors;
- a market analysis, including the existing supply and demand of the hotel capacities in the area;
- comments on the proposed location of the hotel, as well as the projection of the average room rate and utilization degree;
- a report on the projected profit and loss, including all the costs and incomes from the gross operational profit;
- "A sum of money needed for the project calculated from the preliminary assessment, capital expenditures, and financing models" (Ristić, 2011, 856).

MONEY FLOW

Gross operational profit is a constant source of income in project financing. Estimated money flow indicates the potential of the project to service a long-term debt and repaid the invested capital. Money flow is the amount left after the tax and investment gain are deducted from the gross profit.

“Gross operational profit includes operational costs and profit, while some of the non-operational costs are paid separately. A typical money flow report will include the following:

- lot rent – fee paid for the location of the hotel;
- building insurance – considered as a construction cost;
- refurnishing and equipping the facility – calculated as a percentage of the initial cost of furniture and equipment, or as percentage of construction cost, or percentage of income;
- management agency fee – if the hotel is run by a management agency , its fee is tied to the gross operational, though it is possible to cover the fee after the repayment of debt for the fiscal year;
- debt repayment – it can be organized in equal installments over an agreed period of time, or in proportionally smaller or larger installments in the beginning and in the end of the loan period (yearly debt consists of equal and regular installments, which lessens the money outflow in the beginning of the project when the income is usually smaller);
- interest rate – the feasibility study considers a fixed interest rate in calculating its value (however, this rate often fluctuates)” (Ristć, 2011, 853).

Deductions from the gross operational profit leave an annual excess before the tax reductions. After all that, the tax on investment gain is deducted, plus insurance against currency fluctuations. Because of these fluctuations, creditors often grant a loan in the same currency as the expected profit. However, the most difficult obstacle is how to reduce the risk of inability to transfer money and property. Tourism industry circumvents the issue by paying outside the destination itself, that is, by paying clients, tourist agencies, guides, etc. The money goes through creditors who keep a percentage for repayment, while transforming the rest of the money locally.

Before investing, creditors evaluate the appeal of the project proposal in various ways. One of the important aspects for an investor is the capital turnover. It represents average annual income from the investment. Moreover, they place importance on the loan period – number of years needed for the investment to pay off. However, neither approach is perfect.

Focusing on the capital turnover ignores the temporal dimension of money, while the second approach ignores the effective devaluation of base capital due to inflation. Therefore, the investors consider discounted cash flow to evaluate the present value of all future cash estimated and discounted by using cost of capital to give their present values. The sum of all future cash flows, both incoming and outgoing, is the net present value, which is taken as the value of the cash flows in question. This way, the invested money is repaid from interest rates.

Therefore, the project whose net present value is higher for the same amount of invested money is more appealing. Hence, the discount value represents the value of the project expressed in:

- sales revenue in its last year of the projected money flow;

— value of future money flow after its last year of implementation.

"The projected sales revenue of a hotel is calculated from multiplied gross operational profit at the time of the sale. The discount value, together with the annual discount money flow, is used to calculate net present worth."

Furthermore, when evaluating investment projects, tax fares need to be considered. However, tax deductions and exemptions in the early stages of the project can maximize its efficiency. Finally, the internal rate of gain, which should be higher than the interest rate on the principal, is highly important for investors. "The internal rate of gain represents net present value of zero thus equating the current net value of the money flow to current value of base capital (money outflow)".

CONCLUSION

When it comes to financing tourist accommodation facilities, based on previous theoretical research and empirical experience, it can be concluded that the basic models of financing all major projects in the tourism economy are shareholder and loan capital. However, examples in practice, the financing of the construction of accommodation facilities of the tourist offer, the combination of action and loan capital, stand out as the best model.

Due to the volume of investments and the duration of construction, financing of accommodation facilities and higher investments in the tourism industry, it is particularly interesting that long-term financing, that is, long-term sources of financing. In today's business conditions, in the domestic and international practice of financing large investments in the tourism economy, the model of financing from the accumulation of own capital is very complicated or not profitable.

In practice, long-term financing is made from equity and long-term debt, and short-term financing is done through bank loans, lombard loans, short-term securities issue, commercial loans and factoring. In the tourism economy as a special source of financing (equipment, goods and capital), leasing appears as an acceptable model of financing.

In addition to the aforementioned, in the financing practice of the tourism economy, other sources of financing also appear: forfeiting, permanent deposits, ranbus loans, vinculative loans, mortgage loans, etc.

When choosing the financing of accommodation facilities by own funds, the following can be used as sources: business fund, share capital, long-term deposits, reserves and long-term provisions, while in the decision for the use of other assets, sources such as loans, time deposits, bonds, etc.

Pursuant to the previously presented work, it can be concluded that investors in the tourism economy in the financing of large projects, in order to control the flow of money used in the project, implement a structural financial technique. This financial technique includes an overview of the flow of money by giving priority

to operations, while in securing the asset the flow of money focuses on a financial aspect such as loans and payments. The reason for such activities is that companies investors need to have new sources of capital. This type of financing of large projects was used by international corporations in the former communist countries in the affairs of privatization of state-owned enterprises. This technique of project financing is characteristic of large and complicated projects. However, this technique is applicable to all types of projects regardless of size, whether it is the construction of a hotel, ship, factory or solar power plant.

However, in addition to the positive features of the previous project financing technique, that there are flaws and negative features in practice, it was previously explained on the example of Enron.

Finally, in accordance with the presented research of the source or model of insurance for funding of tourism accommodation facilities, the final conclusion is that equity and lending are the main sources of financing, with priority being given to share capital.

Based on the research of the selected literature as an advantage of the action capital in financing the accommodation facilities of the tourist offer, which is especially emphasized in the paper, we highlight the following: maintaining the optimum balance between founding and basic-equity capital on one hand, and maintaining optimal structure between individual segments of own capital and its relationship to loan capital on the other, the degree of risk of investing in secured capital. This reason has its expression in the fact that the arguments for the provision of capital in the form of share capital are stronger in all those cases where the risk of investing mobilized capital in one business venture is higher; the degree of indebtedness of the subject. If the economic entity is heavily indebted or approaches the allowed limit of indebtedness by borrowing, and has a lack of capital for further development, then the only issue of shares is the manner of insuring capital, tax policy also has a major impact on investors, when deciding on the provision of capital for investing in a material basis. If tax benefits are preferred, for example, bonds, it is realistic to assume that the decision to provide additional capital will certainly be directed to the loan capital. In the case where tax relief relates to shares, this will be the case with share capital and the current conditions in the capital market are one of the most important reasons directly affecting the decision of the entity to use the share or loan capital.

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